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Extending Transit Facility to India: Implications for Pakistan's Bilateral Trade with Afghanistan

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Executive Summary

Pakistan has long enjoyed a better market share in the Afghan market vis-à-vis India. In fact Pakistan has been, for quite some time, Afghanistan's largest trade partner. Over the past decade Pakistan's exports to Afghanistan have registered an impressive growth of 31 %. Pakistan's global exports in 2008-09 registered a 13% decline over the preceding year due primarily to the slack in global demand in the wake of the global financial crisis and domestic power outages. The data for exports to Afghanistan for the year 2008-09 tell a similar story showing decline of -0.5 % after registering a positive export growth over the past 7-8 years.

India has always been vying with Pakistan to gain better access in the Afghan market. With the toppling of Taliban in 2001 and the concomitant invasion of Afghanistan by the Coalition Forces, amongst other things, the pattern of Afghan trade has been shifting. Notably Indian exports to Afghanistan are steadily growing in terms of value. On the whole it is mainly through Iran that Indian goods are transited to the landlocked Afghanistan. But increasingly India has been lobbying with the Coalition Partners, notably the US, to get a transit route through Pakistan to Afghanistan. This may well have been one of the factors behind the revision of ATTA which has reportedly been strongly supported by US.

The huge reconstruction market in Afghanistan clearly offers immense export opportunities to the neighboring countries. Both Pakistan and India are thus natural competitors aiming to increase their respective shares in the Afghan market. In addition to that, access to the Afghan market holds the key to penetrating the energy rich but landlocked Central Asian Republics (CARs).

The paper examines patterns of bilateral trade between Pakistan, India, Afghanistan and CARs. It also investigates whether providing India transit route to Afghanistan has opportunity costs for Pakistan's trade potential with Afghanistan and CARs.

In 2009, Pakistan's exports to Afghanistan amount to US\$ 1.3 billion which make up for 7.8 % of Pakistan's total exports. For the same year, India's exports to Afghanistan stand at 471 million dollars which make 0.3 % of India's total exports. Looking at the product wise

composition of Pakistan's exports to Afghanistan, mineral fuels, oils, distillation products are on the top with share of around 29%. Salt, sulphur, earth, plaster, lime and cement and cereals have a share of around 11 %. While animal, vegetable fats and oils, cleavage products and articles of iron and steel have the share of around 7%. On the other hand, the top five exports of India to Afghanistan are man-made filaments with 42 % share, pharmaceutical products with 11 % share, electric and electronic equipment with 7% share and rubber and articles with 6% share. Clearly there is no overlap between exports of Pakistan and India to Afghanistan. Nonetheless Pakistan has already lost its market share to India in pharmaceuticals. The tariff applied to Pakistan by Afghanistan on pharmaceuticals is 2.50 % while India which enjoys Preferential Trade Agreement with Afghanistan only faces an average tariff of 0.60% on pharmaceuticals.

Pharmaceuticals are Pakistan's top performing exports to CARs with 42.5 % share of total exports to CARs. India also exports pharmaceuticals to CARs but its share in total exports to CARs is only 25.5 %. In Afghanistan, Pakistan has clearly lost its market share to India due to presence of preferential tariffs for India in Afghanistan. If Pakistan provides transit route to India for its exports to Afghanistan, cheaper pharmaceuticals of Indian origin can then be re-exported to CARs capturing Pakistan's market share in CARs.

Much like pharmaceuticals there are other Pakistani products which are likely to lose out to India in Afghanistan and CARs if India is provided transit route to Afghanistan. The Wagah-Peshawar-Torkham route which roughly extends up to 800 km is probably the shortest possible one between India and Afghanistan; which would greatly reduce the logistics cost of shipping goods from India to Afghanistan and beyond. In addition to that, the preferential treatment currently enjoyed by Indian products in Afghanistan under the PTA would further cost Pakistani goods by eroding their competitiveness in the Afghan market. In the absence of a robust mechanism to contain the informal trade, allowing Indian goods a passage through Pakistan's territory would, in all likelihood, worsen the smuggling situation, something Pakistan can ill afford to accept. Therefore, under the circumstances, there are clear economic disadvantages to Pakistan in extending the transit facility to India without adequate safeguards and preferably a quid pro quo, be it political or economic.

Background

Pakistan shares 2430 kilometers border with the mountainous and landlocked Afghanistan in the west. Both countries share historical linkages stretching as far back into history at least as the invasion of the region by Alexander the Great around 326 B.C. The relics of the ancient Gandhara Civilization in both countries are indeed a living testimony to their shared past. The northern parts of Pakistan are inhabited mainly by Pashtun tribes which also constitute the major ethnic group in Afghanistan. Above all, the people of both the countries are predominantly Muslims.

For the most part, Afghanistan has traditionally remained a confederacy of largely independent chiefdoms and principalities with little or no central political control. Although there have been periods during which at least a semblance of a unified political structure existed, political unity in Afghanistan has been, at best, difficult to achieve given the chronically tribal structure of the society. The essentially fragmented socio-political structure has had a direct bearing on trade with Afghanistan. The lack of a unified political authority with the concomitant absence of a consistent administrative structure almost invariably meant that no uniform treatment could be expected of any business with Afghanistan. Although with the toppling of Taliban regime post 9/11, the coalition forces led by the US have been able to install a president along with all the trappings of a central government in Kabul, however, quite evidently the writ of the fledgling Afghan government practically ends there. Warlords continue to reign supreme and as such control practically all trade to and from their respective territories. The war-ravaged country has been almost reduced to smithereens by the ongoing conflict and insurgency.

Against that backdrop there has emerged, in Afghanistan, a large, burgeoning reconstruction market which offers lucrative opportunities to the key players in the region, most notably, India and Pakistan. Billions of dollars are being poured into the country by the international community in terms of aid and investments to help rebuild its institutions, infrastructure and economy. Thanks to its geo-strategic location, Afghanistan has always attracted the interest of the major world powers and, primarily, for the same reason it continues to figure rather prominently in the estimation of the global powers. The country holds the key to the landlocked Central Asian Republics (CARs) which, being endowed with abundant mineral

and oil resources, have added their own dynamic to the whole scenario as it unfolds in Afghanistan and, by implication, in the region. Afghanistan is once again in the international limelight as the various regional and global players are increasingly locked up in a seemingly endless struggle to safeguard their respective interests. The rather huge international presence in Afghanistan continues to shape the pattern and direction of Afghan trade in important ways.

The Afghan Transit Trade Agreement ATTA came into force on March 02, 1965, essentially as a bilateral arrangement between the Government of the Islamic Republic of Pakistan and the Government of the (then) Kingdom of Afghanistan. In fact, Pakistan granted transit facility to Afghanistan in line with its commitment to the UN Convention on Law of Sea which makes special provisions for granting landlocked countries access to international seas.

The stated objectives of the ATTA centered on improving the movement of goods through the two countries on a *mutually advantageous basis*. The contracting parties granted and guaranteed to each other, as per the terms of the Agreement, freedom of transit to and from their territories. The agreement identified two transit routes, viz. i) Peshawar-Towrkham and vice versa and ii) Chaman-Spin Baldak and vice versa. Given its landlocked situation, Afghanistan was destined to be the primary beneficiary of the agreement right from the inception. Pakistan, on the other hand, did not enjoy at that time good relations with the USSR and therefore had only dim prospects of capitalizing upon the transit facility through Afghanistan offered by ATTA.

With the Russian invasion of Afghanistan in 1979, the characteristically narrow Afghan economy was simply in tatters. The situation was compounded by a rapid deterioration of the law and order situation in Afghanistan while Pakistan's frontline role in the concluding phase of the Cold War further antagonized the USSR and only diminished its prospects, if any, of benefitting from the transit facility to meaningfully enhance its trade with USSR. The chaos that has prevailed in Afghanistan since then and the attendant rise in informal trade, particularly drug trafficking on the back of a phenomenal rise in poppy cultivation in Afghanistan, has had serious repercussions for Pakistan. As much as one-third of the nation's GDP still comes from growing illicit drugs, including hashish and opium. Opium production in Afghanistan soared to a record in 2007 with some 3.3 million Afghans reported to be involved in the business. While internationally Pakistan has been criticized for its inability to control the drug traffic emerging from Afghanistan, the virtually uninterrupted growth of illicit trade badly hurts Pakistan's trade

as well as industry. As per reliable estimates, illegal trade between the two countries crossed the US\$ 1 billion mark in year 2008.

India has been eyeing on getting transit facility through Pakistan to Afghanistan and beyond since long. The emergence of independent Central Asian States (CAS) in the last decade of the twentieth century coupled with a rapid growth of the Indian economy has actually intensified the Indian desire to get land access to the energy rich Central Asia. The relatively cheap imports of oil and gas from the CAS are likely to boost the competitiveness of the Indian goods vis-à-vis its regional competitors including Pakistan. The huge reconstruction market in Afghanistan, on the other hand, offers an immediate opportunity to India for enhancing its share in goods and services exports in the region. Pakistan has consistently been averse to the idea of granting transit facility to India through land primarily due to security reasons. India, for its part, has been vying for the transit facility through different channels, lately, through the US which has considerable presence in the region. In fact the move to revise the ATTA has been reportedly instigated by the US.

This study explores through the analysis of secondary data as to how the proposed opening up of land transit route to India through Pakistan would affect the latter's bilateral trade with Afghanistan.

DATA PRESENTATION AND ANALYSIS

Afghanistan has lately been demanding of Pakistan to re-evaluate the 46-year-old Afghan Transit Trade Agreement (ATT) due mainly to the changing regional dynamics. For its part, Pakistan, too, has been keen on revisiting the transit agreement with Afghanistan due mainly to number of factors which inter-alia include:

First, Afghanistan has emerged, of late, as one of the key markets for Pakistani exports which have witnessed impressive growth over the decade starting from 2000-01 and the upward trend is likely to continue. In 2009, Afghanistan constituted 7.8% of Pakistan's total exports.

Secondly, Pakistan has long been concerned with the rise in informal trade thanks to a rampant misuse of the transit agreement by unscrupulous element on both sides. The illicit

trade/smuggling is hurting Pakistan's trade and industry in various ways. The government itself has annually incurred millions of dollars of revenue losses due to the unregistered transactions which are made possible largely due to the otherwise remediable deficiencies inherent in the prevailing transit agreement.

Thirdly, and connected to the second one, the informal trade has created a large entrenched network of intermediaries which have come to strongly embed the rather prolific drug traffic emerging from Afghanistan. This particular aspect of the whole thing has had global implications. Pakistan has been hard pressed to contain that traffic.

Fourthly, as noted above, in view of the long-term interest of the international community exhibited as it is by huge investments and aid being injected into the country, Afghanistan is likely to become even more important as a promising export market for Pakistan.

Finally, given Pakistan's frontline role in the global War against Terror, it is in the interest of all having a stake in the region that both Afghanistan and Pakistan build up strong economic partnership. There is a growing body of literature which suggests that formalizing and regulating the Pak-Afghan transit trade hold the key to promoting regional economic integration. A fairer transit dispensation between the two countries is likely to open up fresh vistas of opportunity for the impoverished and marginalized people in the region and would, therefore, help substantially reduce the risk of their becoming an easy prey for the extremist forces.

Both countries finalized talks for the renewal of the Afghan Transit Trade Agreement (ATTA). The new accord has reportedly been signed between the two countries, though not ratified by the respective parliaments till now. However, Pakistan has refused to accede to one of the key Afghan demand i.e., allowing Indian exports to Afghanistan via Pakistani territory. Without successful conclusion of "Composite Dialogue" between Pakistan and India, it seems highly unlikely that Pakistan would be ready to grant transit facility to India.

The study explores the possible impact of extending transit rights to India under the revised Afghan Transit Trade Agreement on Pakistan's bilateral trade with Afghanistan and beyond with the CARs. In order to estimate the potential/expected impact of the new agreement, it is important to review the previous trends of exports particularly from India and Pakistan to

Afghanistan and Central Asian Republics (CARs). Therefore, the study separately analyses the changes and patterns of trade since 2001-2009 in:

- Pakistan's Exports to Afghanistan
- India's Exports to Afghanistan
- Pakistan's Exports to Central Asian Republics (CARs)
- Indian Exports to Central Asian Republics (CARs)

In order to examine the implications of providing access to India under new agreement, the study also made comparison of the major export items of Pakistan to Afghanistan with the share of Indian exports of the same products to Afghanistan vice versa.

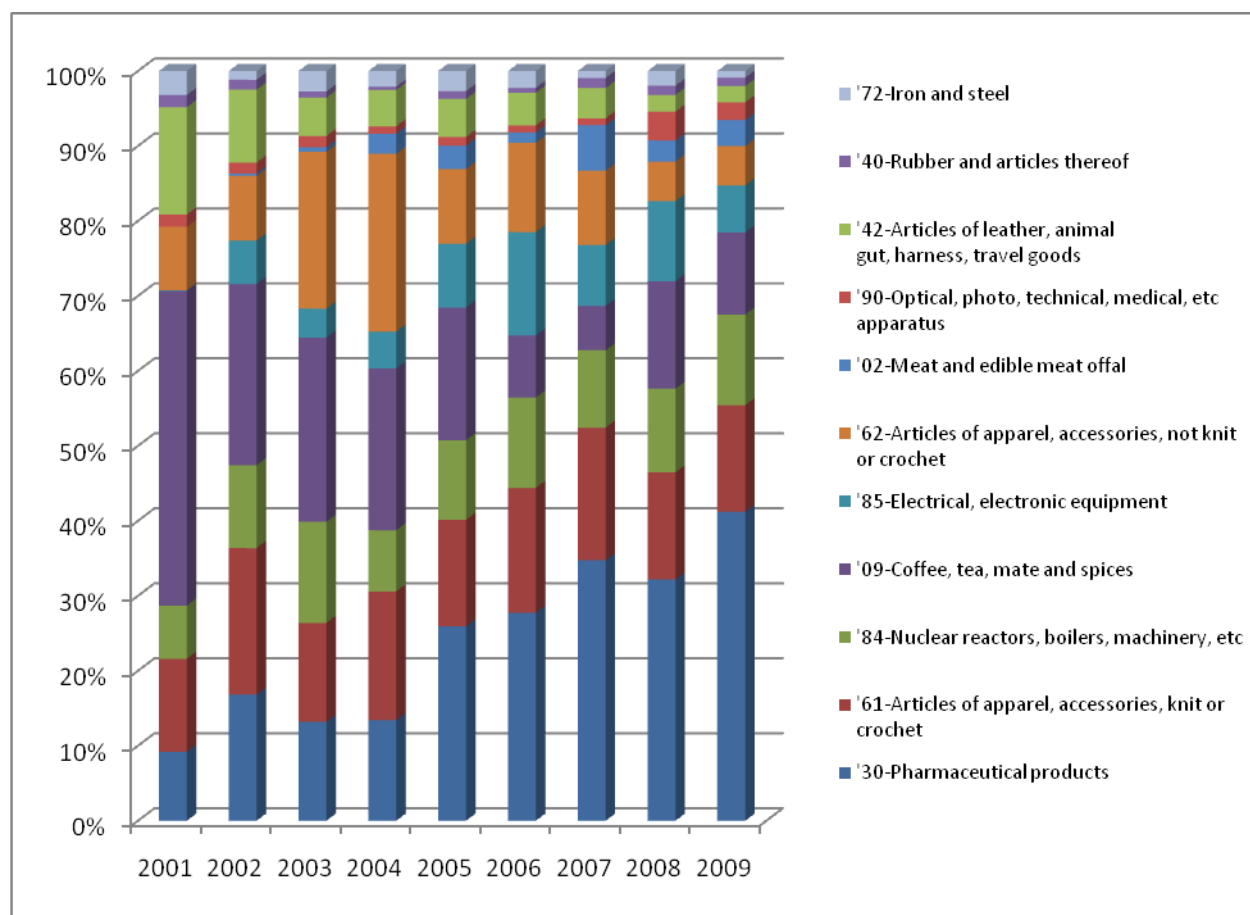
India's Exports to Central Asian Republics (CARs)

This part of the study analyses the trade structure between India and Central Asian Republics (CARs viz. Kazakhstan, Tajikistan, Turkmenistan, Kyrgyz Republic, and Uzbekistan) over time and potential for further trade. The foreign trade of Central Asian Republics has registered growth in past one decade. India's exports to CARs have risen three-fold from US\$ 46.4 million in 1997-98 to US\$ 147.3 million during 2003-04 and to US\$ 261.6 million during 2008-09 while imports from the CARs have also increased from US\$ 38.8 million in 1997-98 to US\$ 50.9 million in 2003-04 and US\$ 200 million in 2008-09. India generally maintains positive trade balance with these countries. Kazakhstan is the largest market for India's exports to the region, followed by Kyrgyz Republic, Turkmenistan, Uzbekistan and Tajikistan. As regards imports, Uzbekistan is the largest source for India's imports from the region, followed by Turkmenistan, Kazakhstan, Tajikistan and Kyrgyz Republic.

Product -wise Composition of Indian Exports to CARs

The figure below provides the product wise composition of Indian exports to CARs which indicates that there has been significant rise in share from 10% to around 35% in the exports of pharmaceutical products from 2001 to 2008-09. The exports of apparel, accessories, knitted or crocheted, machinery, boilers etc. remained more or less same over the decade.

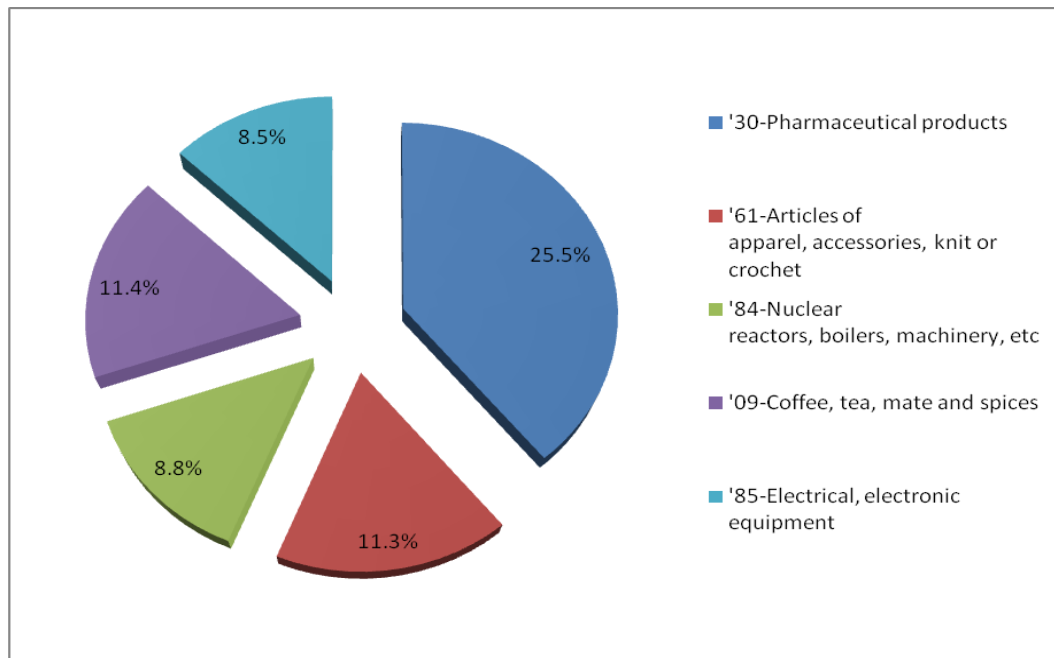
However, the share of products such as coffee, tea, mate and spices has witnessed a decline over the same time period. The overall composition of exports didn't witness any significant change.



Source: PITAD's Calculations based on Trade Map Data

Top Five Exports of India to CARs:

The figure below provides the top 5 exports of India to CARs which include pharmaceuticals on top with the share of 25.5%; articles of apparel, accessories, knit or crochet, with the share of 11.3%, coffee, tea, mate and spices has share of 11.4%, Machinery, Nuclear Reactors, boilers etc. has a share of 8.8 % and Electrical, electronic equipment has share of 8.5%.



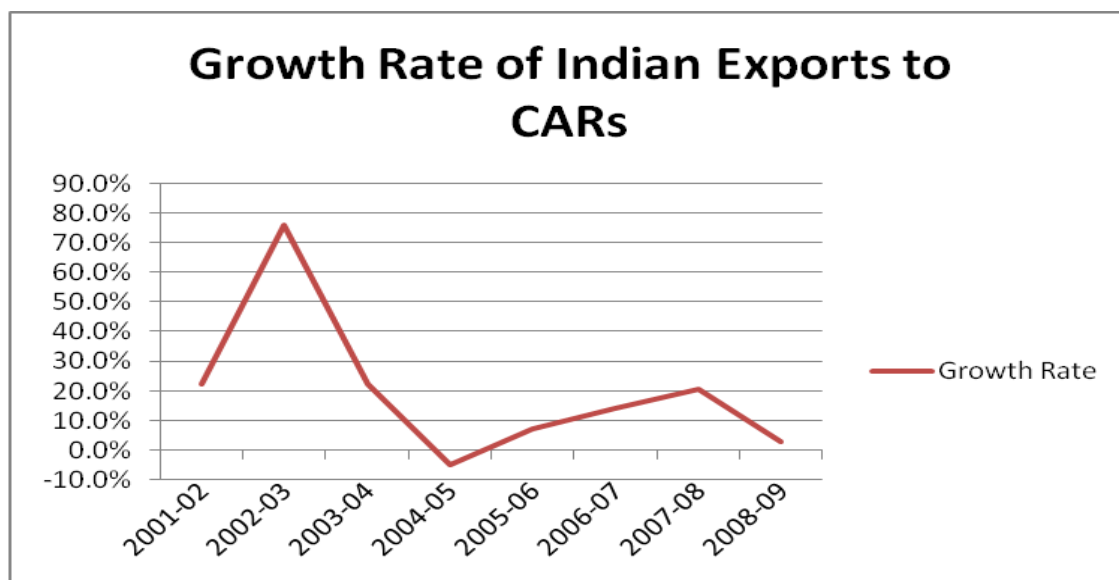
Source: PITAD's Calculations based on Trade Map Data

Growth Rate of Indian Exports to CARs:

The table below provides growth rate of Indian exports to CARs which indicates the declining trend from 22.5% in 2001-02 to 2.6% in 2008-09.

The graph below clearly depicts the trends of exports growth over the time:

Years	Percentage Growth
2001-02	22.5%
2002-03	76.1%
2003-04	22.2%
2004-05	-5.1%
2005-06	6.9%
2006-07	14.0%
2007-08	20.4%
2008-09	2.6%
Source: PITAD's Calculations based on Trade Map Data	



Source: PITAD's Calculations based on Trade Map Data

India's Potential to Export in CARs

Based on India's exports capabilities and demand existing in the respective countries the potential export items to Kazakhstan would include: machinery and transport equipment (*harvesting /construction / food processing /telecommunication / data processing equipments and parts, passenger / public transport vehicles and parts*); chemicals and related products; iron & steel products; ores and minerals; petroleum products; food products; tobacco; cement; aluminum; measuring instruments. Potential items of exports to Turkmenistan would include machinery (*piston engines and parts /harvesting, textile weaving/knitting machinery/ air, vacuum pumps & compressors*); transport equipment (*passenger & public transport vehicles / semi-trailer tractors*); chemicals and related products; food products; iron and steel products.

In Tajikistan, food products (*durum wheat / sugar, tea*); chemicals and related products (*inorganic bases /fluorides / medicaments & antibiotics / soaps & detergents*); machinery and transport equipment; iron and steel products; motor car tyres; cotton yarn and fabrics; cement; polished glass and glass articles present potential for exports. Commodities having export potential in Kyrgyz Republic are chemicals & related products (*inorganic acids /medicaments & antibiotics / soaps & detergents / polycarbonates*); machinery & equipment (*wheeled tractors/*

construction, mining, mineral working machinery); transport equipment (*passenger / public transport vehicles and parts*); textiles and garments; wheat; sugar & sugar confectionary; tea.

In Uzbekistan, potential items of exports would include machinery and equipments (*agricultural, horticultural, harvesting machinery and parts / textile machinery / insulated wires & cables*); transport equipment; iron and steel products; measuring/checking/precision instruments; organic & inorganic chemicals; pharmaceuticals; plastics and articles; tea; rice; sugar and sugar confectionary; ceramic products.

India's Potential Sectors for Investment in CARs

In Kazakhstan, potential sectors for investment include oil & gas sector; power generation; telecommunication equipment; medical equipment & supplies; pollution control equipment; agricultural machinery; food processing & packaging; construction & engineering services; mining. In *Turkmenistan*, sectors which present potential for investment would include oil and gas; electrical energy; chemical and mining; transportation and communications; environmental technology and services; healthcare and medical industry. In *Tajikistan*, sectors having investment potential are mining and related equipment, medical and pharmaceutical supplies, textile machinery, telecommunications, ecotourism, oil and gas extraction equipment; agribusiness and related sectors.

In *Kyrgyz Republic*, agribusiness; mining sector; electricity generation; tourism; IT sector; and small and medium scale light manufacturing equipment are potential sectors. In *Uzbekistan*, potential sectors for investment include energy sector; IT sector; mining sector; food processing & packaging; textile machinery and equipment; and tourism infrastructure¹.

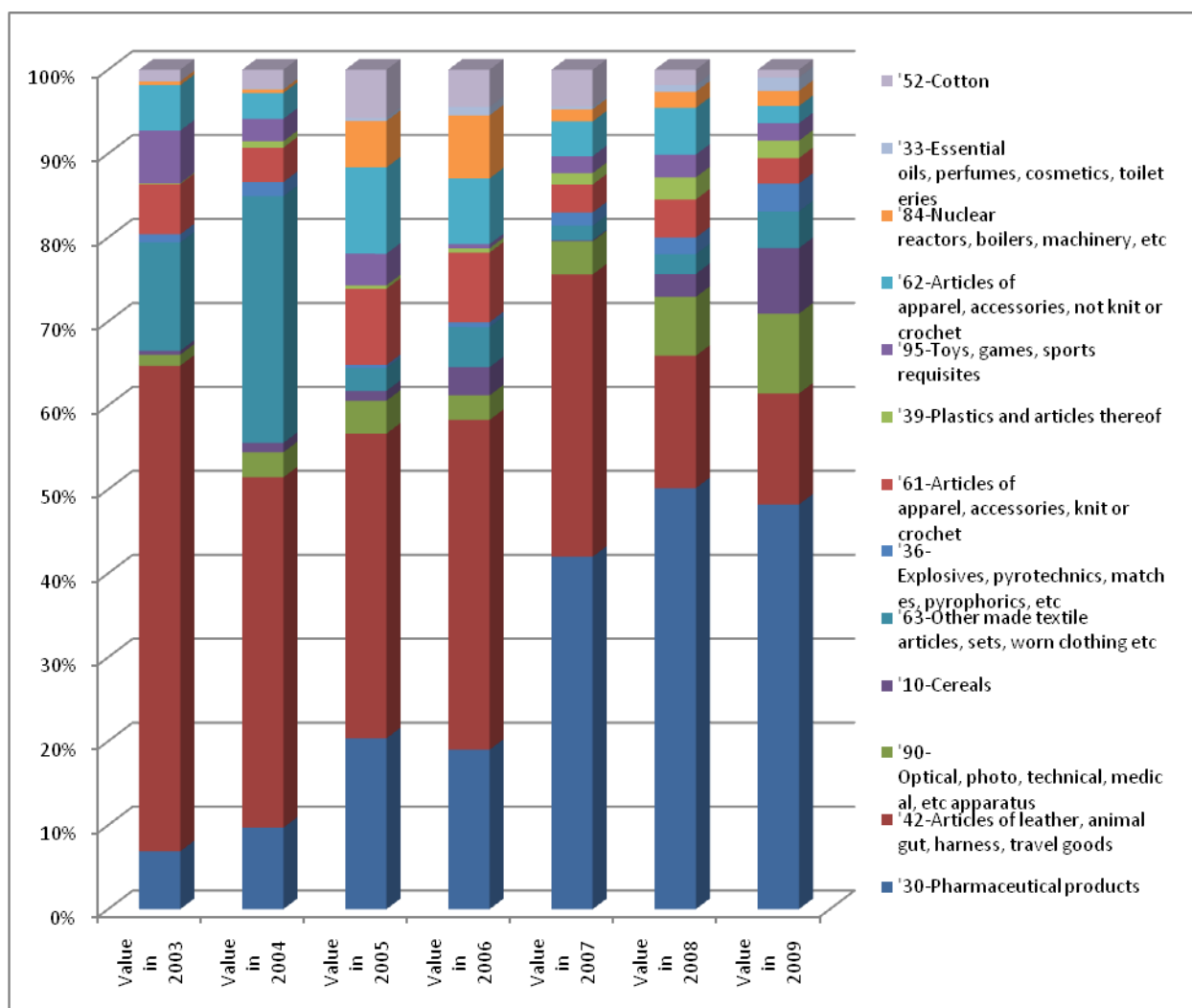
¹ <http://www.eximbankindia.com/car-wp.pdf>

Pakistan's Exports to Central Asian Republics (CARs)

In this part of the report, the main focus is to see the trade potential of Pakistan with Central Asian Republic (CARs) rich in agricultural products and mineral energy resources. Therefore both Pakistan and CARs have congruent interest in Afghanistan to restore peace in that country to foster trade and commercial relations with each other. CARs are also eager to achieve access to Arabian Sea through Pakistan. There is wide scope of cooperation between CARs and Pakistan in trade and commerce. The major areas of trade are Textiles, garments, pharmaceuticals, engineering goods, surgical instruments and agro industry and also focused on the instrument of barter trade. As the figure below show Pakistani products have potential in CARs markets.

Product -wise Composition of Pakistan's Exports to CARs

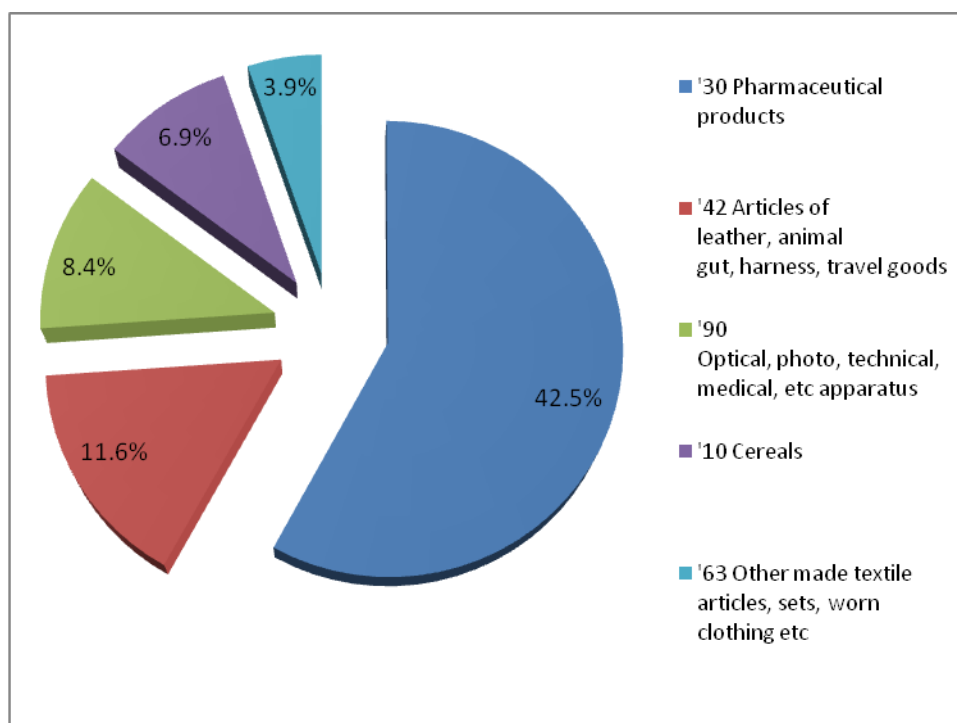
The figure below provides the product wise composition of Pakistan's exports to CARs which indicates that there has been significant rise in share from 6.1% to around 42.5% in the exports of pharmaceutical products from 2003 to 2008-09. The exports of cotton boilers, machinery etc., plastics and articles thereof, toys, games, sports, requisites have declined over the past 6 years. In the figure there is significant decline in the exports of articles of apparel, accessories, knit or crochet. On the whole there is insignificant change in the exports of Pakistan to Central Asia.



Source: PITAD's Calculations based on Trade Map Data

Top Five Exports of Pakistan to CARs:

The top 5 exports of Pakistan to CARs has been given in the below mentioned pie-chart, which shows pharmaceutical on top with the share of 42.5%, articles of leather, animal gut, harness, travel goods, with the share of 11.6%, optical photo, technical, medical apparatus has share of 8.4%, cereals has a share of 6.9 % and other made textile articles, sets, worn clothing etc has share of 3.9%.



Source: PITAD's Calculations based on Trade Map Data

Growth Rate of Indian Exports to CARs:

The table below provides growth rate of Indian exports to CARs which indicates the declining trend from 2.5% in 2001-02 to -16.9% in 2008-09.

Years	Export value	Growth Rates
2003	17967	-
2004	18416	2.5%
2005	16821	-8.7%
2006	12871	-23.5%
2007	11891	-7.6%
2008	10917	-8.2%
2009	9074	-16.9%



Source: PITAD's Calculations based on Trade Map Data

Pakistan's Potential to Exports in CARs

Pakistan is working to establish trade and investment linkages with the Central Asian Republics, including energy corridors (gas from Turkmenistan and electricity from Kyrgyzstan) within the context of the CAREC regional program sponsored by the Asian Development Bank. When we see the potential of the Central Asian market for Pakistan on trade and investment, most of the imports to the Kyrgyz Republic are related to agricultural products, the major share of agriculture products in Kazakhstan, including fruits, vegetables and sea food are imported from Russia, Turkey and Europe. Pakistan has a competitive advantage and potential to export all these items as the timeframe for the transportation of these goods to these countries is significantly shorter. It takes only 13 hours for goods to be transported from Pakistan to the Kyrgyz Republic by way of the Karakoram Highway via China while the time frame for transporting goods between Pakistan and Kazakhstan through the currently used transport line the Karakorum highway (Gilgit border) is approximately 16 hours.

Although the volume of trade between Pakistan and the Kyrgyz Republic is not significant enough to be mentioned, Pakistan-Kazakhstan trade amounts to almost US\$ 7 million.

Pakistan's exports to Kazakhstan are an estimated US\$5 million and include leather, apparel, pharmaceutical products and surgical instruments. Imports to Pakistan total US\$1 million and includes inorganic chemicals and iron and steel.

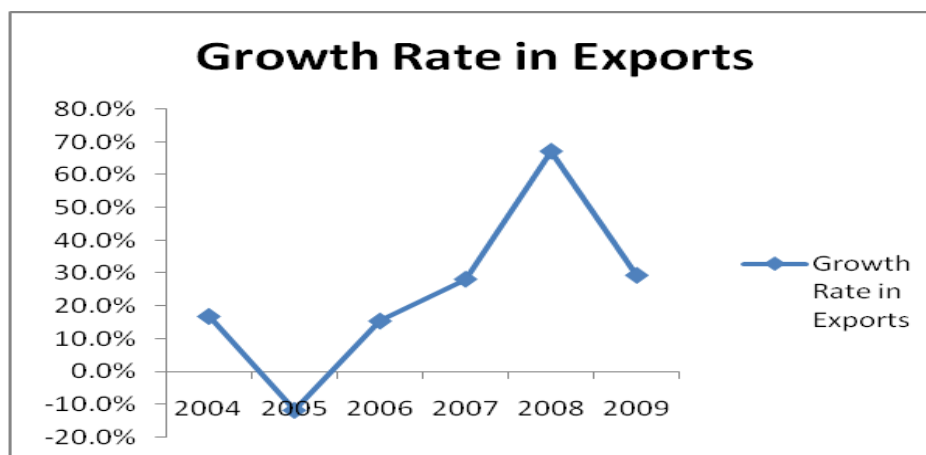
Agreement on transit trade has opened broad perspectives for exchange of the trade and economic relations. Uzbekistan would consider entering into a tri-partite agreement with Pakistan via Afghanistan in order to gain access to the Pakistani ports at Karachi and Gwadar in order to increase volumes of bilateral trade. Pakistan and Uzbekistan in 2008 agreed to establish joint ventures in textile, pharmaceutical, leather industries, manufacturing medical equipment and exchange of technology in the health sector. Pakistan offered export of engineering, medical and sports goods, textile fabrics, while Uzbek side had proposed for exports of the cotton fiber, chemical production, silk, mineral fertilizers, cables, construction material, agriculture machinery.

India's Exports to Afghanistan

Afghanistan holds strategic importance for India because it's a gateway to energy-rich Central Asian states such as Turkmenistan and Kazakhstan. Keeping in perspective the geographical importance of Afghanistan and as a potential route to access to Central Asia, India has offered \$1.2 billion since 2001 for Afghanistan's reconstruction, making it the largest regional donor to the country. Bilateral trade between India and Afghanistan has been on the rise from 2005 to 2009. The growth rate of Indian Exports to Afghanistan has risen from 16% to around 30% in last 7 years. The overall trend shows rise in export growth except for the year 2005. Table below provides the trends of growth in Indian exports:

Growth Rate of Indian Exports to Afghanistan:

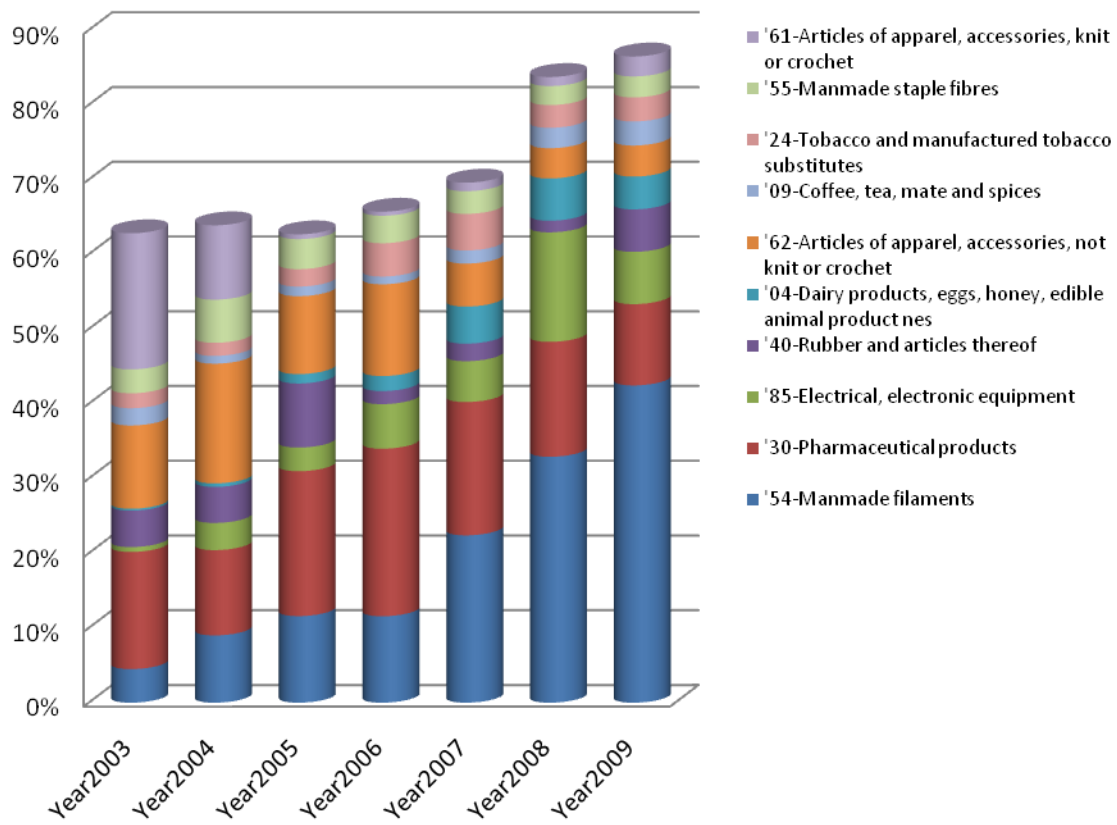
Years	Growth Rate of Exports
2003-04	16.7%
2004-05	-11.8%
2005-06	15.3%
2006-07	28.1%
2007-08	67.0%
2008-09	29.3%
Source: PITAD's Calculations based on Trade Map Data	



Product -wise Composition of Indian Exports to Afghanistan:

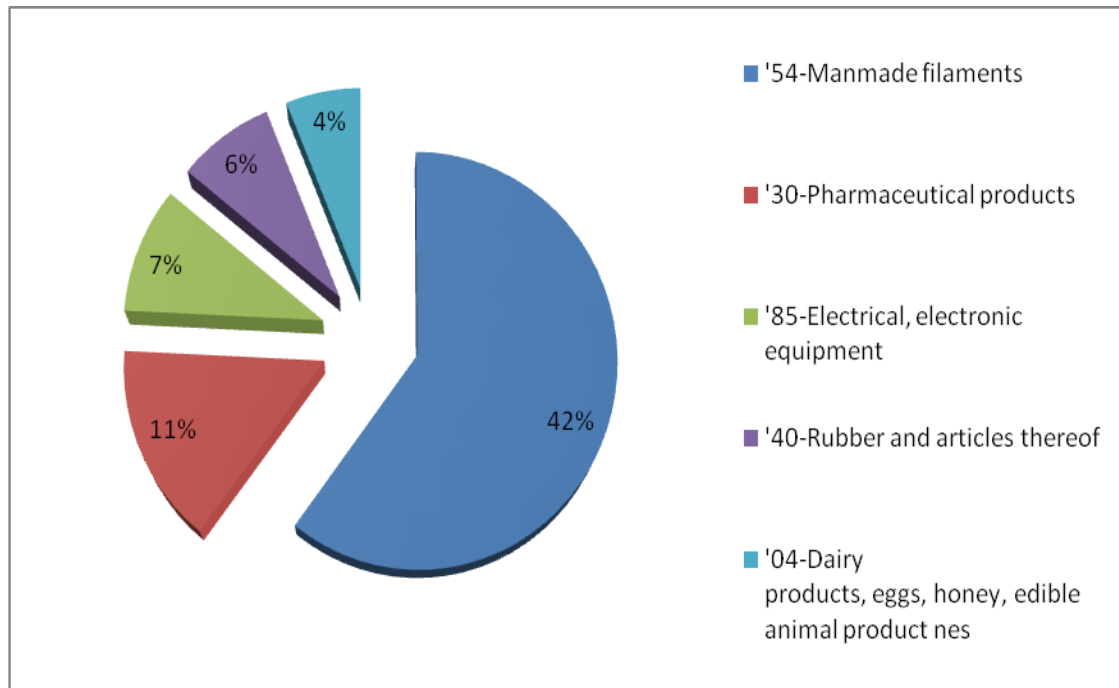
The Figure below provides the product wise composition of top 10 Indian Exports to Afghanistan from 2003 to 2009. There has been considerable rise in the exports of manmade filaments, rising from around 5% in 2003 to 40% in 2009. Also, there has been rise in the exports of Electrical and Electronic equipments and Rubber products. However, there has been decline in the exports of Pharmaceutical products, Apparel, accessories, knit or Crochet.

Top Ten Exports of India to Afghanistan



Top Five Exports of India to Afghanistan:

The top five exports of India to Afghanistan are given below where Manmade Filaments has largest share of 42%, pharmaceutical products has the share of 11%, electrical and electronic equipment has the share of 7%, Rubber and articles of 6% and dairy products, eggs, honey, edible animal products.



The share of exports to Afghanistan in India's total exports was around 0.3% in 2009. The export values of top ten exported commodities to Afghanistan and to the world by India is given below:

Product Code/Label	India's exports to Afghanistan			India's exports to world		
	Value in 2009, USD thousand	Annual growth in value between 2005-2009, %, p.a.	Share in India's exports, %	Value in 2009, USD thousand	Annual growth in value between 2005-2009, %, p.a.	Share in world exports, %
All products	471600	36	0.3	176765040	17	1.5
'54-Manmade filaments	200215			1783249		
'30-Pharmaceutical products	51288	17	1	5011360	23	1.3
'85-Electrical, electronic equipment	33037	74	0.3	9615675	38	0.6
'40-Rubber and articles thereof	26778	24	2.2	1240880	9	1
'04-Dairy products, eggs, honey, edible animal products	20700	94	11.6	178772	2	0.3
'62-Articles of apparel, accessories, not knit or crochet	19596	1	0.3	6124697	5	3.9
'09-Coffee, tea, mate and spices	15197	80	1	1518723	16	5.2
'24-Tobacco and manufactured tobacco substitutes	15179	40	1.7	897633	33	2.7
'55-Manmade staple fibres	13232					
'61-Articles of apparel, accessories, knit or crochet	12579	96	0.2	5187319	13	3.3

India's Trade Potential in Afghanistan:

As regards Afghanistan, potential items of exports would include machinery and equipment and parts (electrical & non-electrical); transport equipment; iron and steel products; dairy produce; tea; sugar & sugar confectionary; cereal preparations; fruit juices; yarn and fabrics; garments; rubber pneumatic tyres, pharmaceutical products; carpets and other floor coverings; knitted and crocheted fabrics².

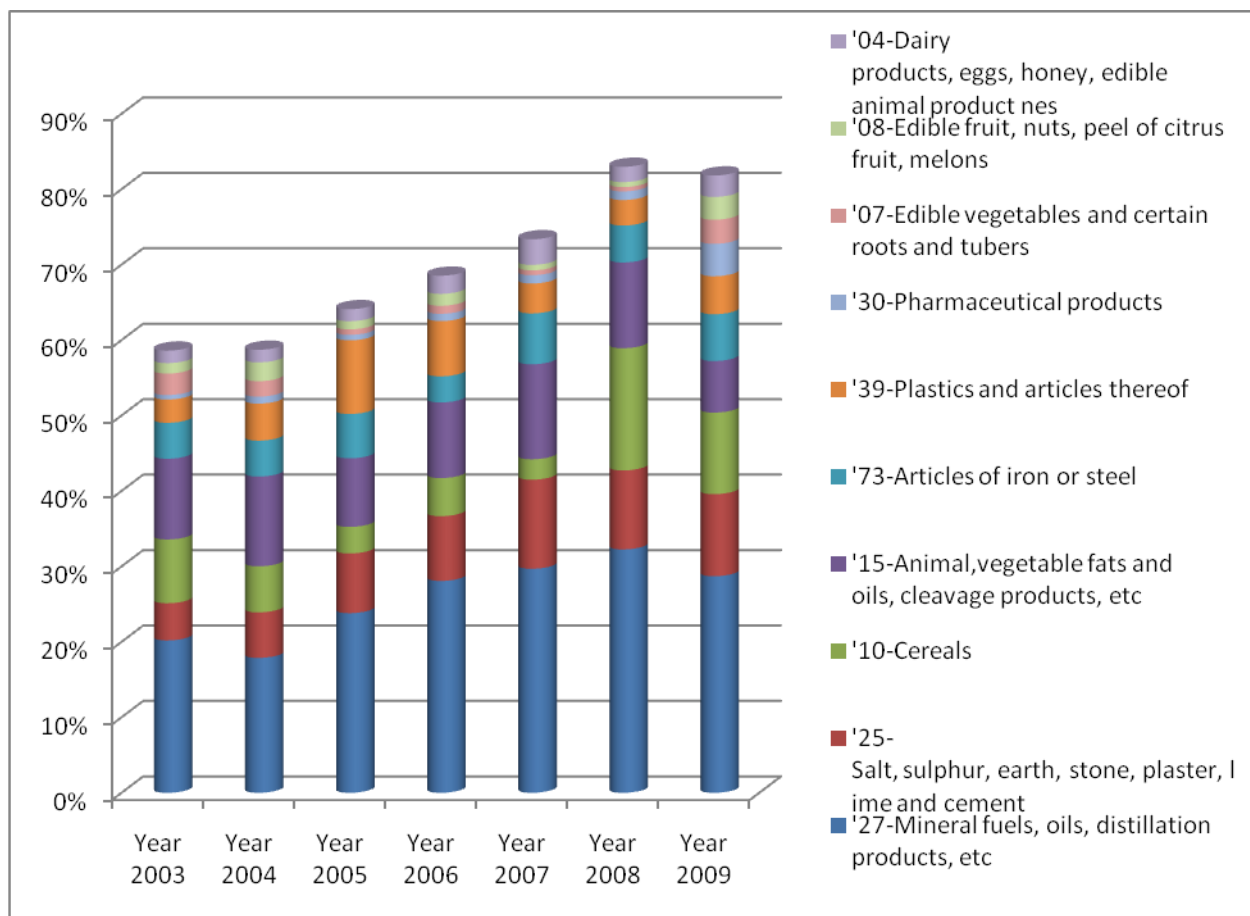
² <http://www.eximbankindia.com/car-wp.pdf>

Pakistan's Exports to Afghanistan

At present Afghan imports are dominated by Pakistan and the balance of trade between the two countries is by far in favor of Pakistan. The official trade between the two countries is more than one billion dollars. However, according to the Area Study Centre for Afghanistan at the University of Peshawar, the total volume of trade (official and unofficial) between the two countries is close to \$12 billion. On one hand Pakistan desires increase in regional trade and market access but on the other hand doing so could provide its archrival India an economic advantage, by allowing it to reach the markets of Afghan and Central Asian through its territory.

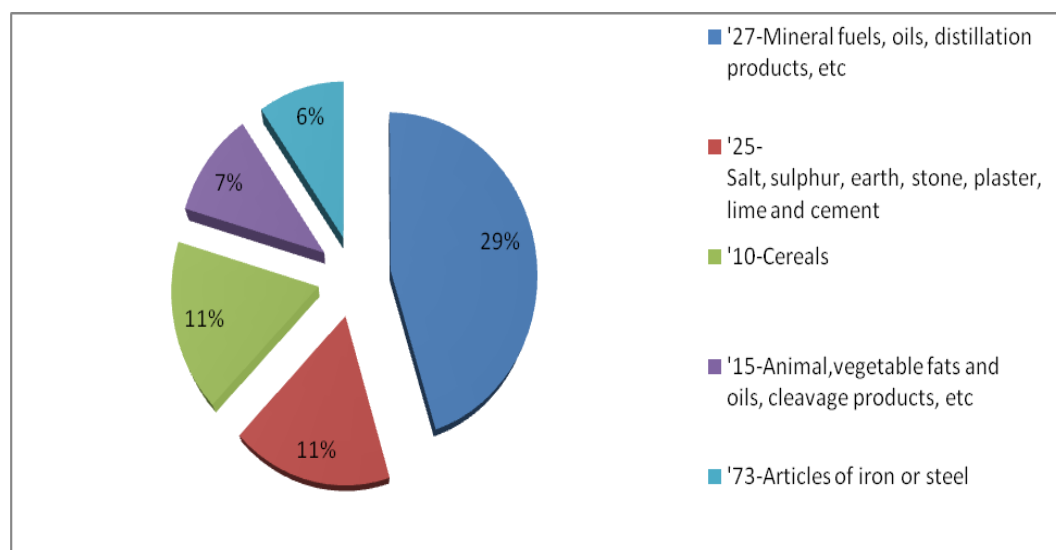
Since 2001 a multi-billion dollar foreign funded reconstruction efforts have continued in Afghanistan. A large part of the demand for construction items, ranging from cement and electrical products, has been met by Pakistan. Pakistani industries and companies have also been fulfilling the demands of Afghanistan for its medical and food needs, such as pharmaceuticals, packed milk, drinking water, livestock, wheat, rice and other agriculture produce. Up to 80 percent of the supplies for NATO forces, also make their way through the seaport of Karachi to Afghanistan. Landlocked Afghanistan and Coalition Forces there are heavily dependent on Pakistan, as the country provides not only the shortest but also the most economical and politically viable access point.

Product- wise Composition of Pakistan's Exports to Afghanistan:



Looking at the product wise composition of Pakistan's exports to Afghanistan, Mineral fuels, oils, distillation products are on the top with the share of around 29%. Salt, Sulphur, earth, stone, plaster lime and cement and Cereals has a share of around 11%. While animal, vegetable fats and oils, cleavage products, and articles of iron and steel have the share of around 6-7%. The share top five exported products are given in chart below.

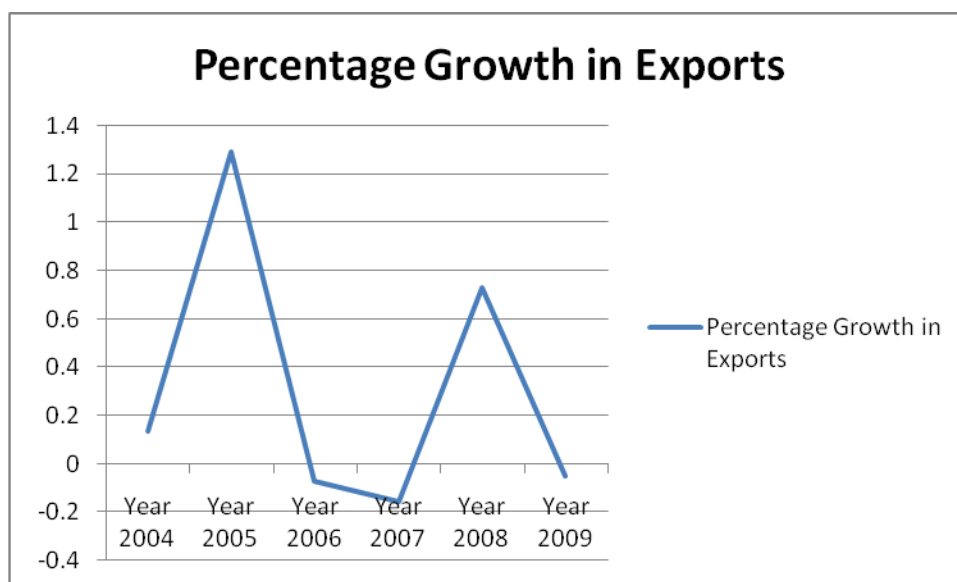
Top Five Exports of Pakistan to Afghanistan:



Percentage Growth in Pakistan's Exports to Afghanistan:

The table below provides the percentage growth of Pakistan's exports to Afghanistan since 2004. Pakistan's exports witnessed tremendous growth in year 2005 and 2008

Year	Percentage Growth
2004	14%
2005	129%
2006	-7%
2007	-16%
2008	73%
2009	-5%



The share of Pakistan's exports to Afghanistan was around 7.8% in 2009 which was around US\$ 1.37 billion. The values of top ten Pakistan's export commodities to Afghanistan and to the world are given in table below:

Product Code/Label	Pakistan's Export to Afghanistan			Pakistan's Export to World		
	Value in 2009, USD thousand	Annual growth in value between 2005-2009, %, p.a.	Share in Pakistan's Exports, %	Value in 2009, USD thousand	Annual growth in value between 2005-2009, %, p.a.	Share in Pakistan's Exports %
All products	1373863	9	7.8	17554698	4	0.1
'27-Mineral fuels, oils, distillation products, etc	394490	15	55.2	714571	5	0
'25-Salt, sulphur, earth, stone, plaster, lime and cement	149397	19	26.5	563385	61	1.8
'10-Cereals	148572	54	8.1	1823217	20	2.4
'15-Animal,vegetable fats and oils, cleavage products, etc	93913	5	96.4	97373	5	0.2
'73-Articles of iron or steel	85144	14	66.6	127879	10	0.1
'39-Plastics and articles thereof	69222	-11	22.6	305809	6	0.1
'30-Pharmaceutical products	59054	59	37.6	157098	19	0
'07-Edible vegetables and certain roots and tubers	43797	38	50.8	86261	-4	0.2
'08-Edible fruit, nuts, peel of citrus fruit, melons	41466	22	20.4	203050	16	0.3
'04-Dairy products, eggs, honey, edible animal product nes	38998	21	88.4	44102	16	0.1

Smuggling

One of the key obstacles in the way of ATTA is the substantial smuggling of goods. These goods are imported originally by Afghanistan from Pakistan, but make their way back in to Pakistan. According to Federal Board of Revenue figures, the value of total smuggled goods into Pakistan stands between US\$ 4 to US\$ 5 billion. Additionally, 70 to 75 percent of the revenue losses to the country have been due to those items that were exported to Afghanistan under ATTA, but find their way back into Pakistan³. Member customs are of the view that out of a total of \$5 billion smuggling into the country 75 percent of it happens due to the Afghan Transit Trade Agreement (ATTA)⁴.

In the absence of uniform tariffs on both sides, allowing India to export products to Afghanistan can become troublesome for Pakistan. Pakistan believes allowing India to supply goods under the new transit regime i.e. APTA would be detrimental for Pakistan in a number of ways.

Allowing Indian exports of above mentioned products to Afghanistan under new agreement would have direct impact Pakistan's industry. For the most part, the Indian goods are substantially cheaper than Pakistan's. Even with the added transportation cost and tariff, India will maintain a competitive advantage over similar Pakistani products. If India is allowed to export to Afghanistan, these inexpensive products and goods will eventually be smuggled in mass in to Pakistani markets from across the border.

So if Indian goods are allowed entry into Afghanistan through a fresh ATT agreement, there are ample chances the Pakistani markets would flood with cheap Indian goods. This would increase the revenue losses for Pakistan, which is already facing declining economic activity due to terrorism, and will result in further shrinking of the country's revenue base. The industrial infrastructure of Khyber-Pukhtunkhwa and Balochistan provinces of Pakistan, that border Afghanistan, is already collapsing from the pressure of Afghan smuggling and

³ <http://politact.com/pakafghantradeagreement.html>

⁴ http://www.dailytimes.com.pk/default.asp?page=2010%5C01%5C23%5Cstory_23-1-2010_pg5_17

extremism. With the possibility of Indian products being smuggled to Pakistan from Afghanistan as well, the local industries in these provinces will suffer a huge loss.

“No doubt, without positive development on political side between India and Pakistan, the region cannot be expected to achieve its full potential. From the deadlock that exists, Afghanistan and Pakistan stand to lose more as compared to India, which is already reaping the benefits of its larger size and from its Look East Policy. Pakistan's economy and industries appear ill prepared for the arriving forces of globalization and will have to become more competitive. Future would have to be envisioned not only from the prospect of conflict but also opportunities. Sooner rather than later Pakistani businessmen will have to confront the forces of open markets, whether they are at home, Afghanistan or Central Asia.”⁵

⁵ <http://politact.com/pakafghantradeagreement.html>

Comparison between Pakistan and Indian Exports to Afghanistan

Top Ten Items Exported by Pakistan to Afghanistan:

In order to examine the implications of providing access to India under new agreement, it is important to compare the share of major export items of Pakistan to Afghanistan with that of Indian exports of the same products to Afghanistan and Afghanistan's total imports of those products from world. The table below provides information on the value of top ten items exported by Pakistan and India to Afghanistan. The changes over the time are captured by taking three time periods 2003, 2006 and 2009.

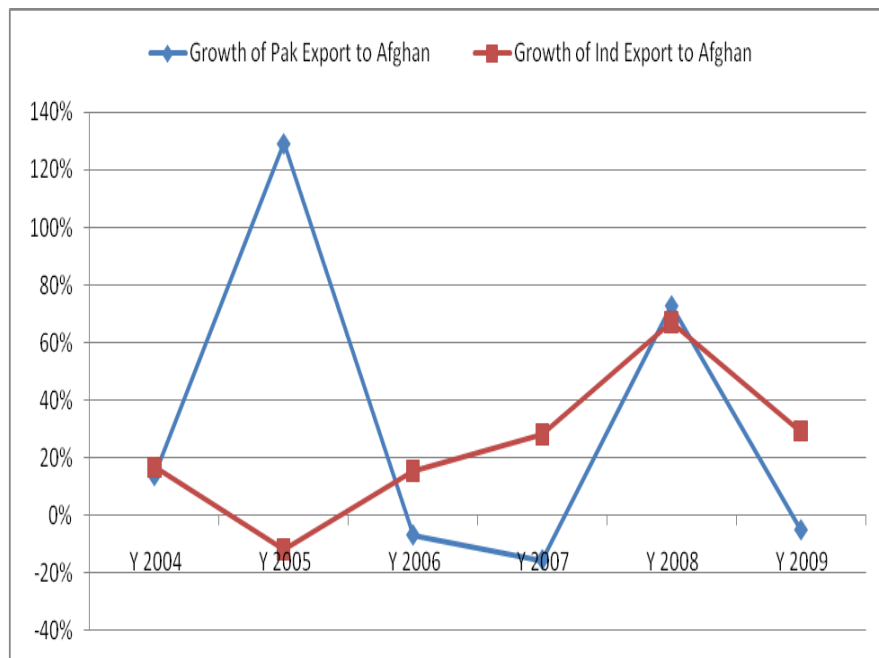
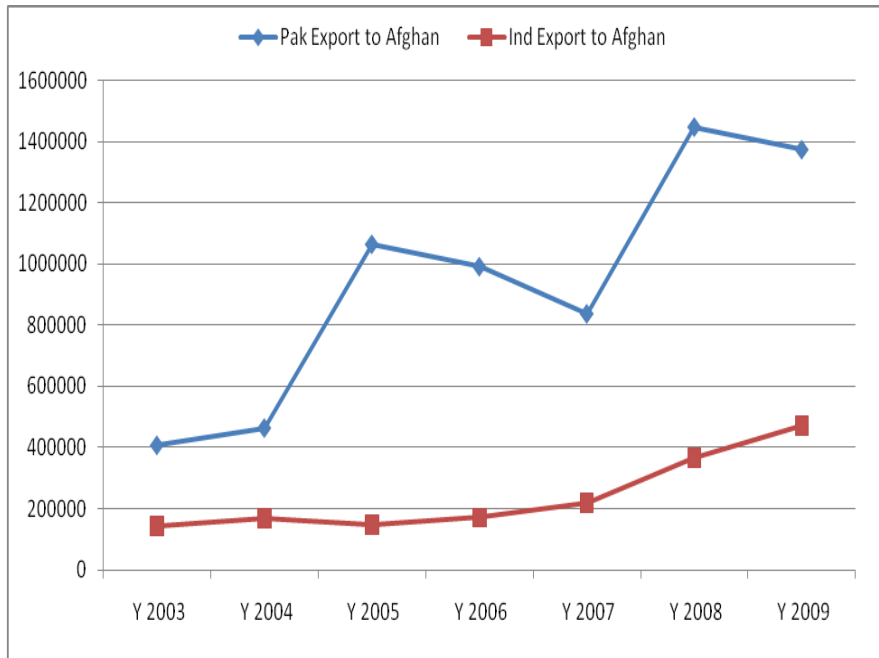
The items such as dairy products, eggs, honey, edible animal product etc has significant share in Pakistan's exports to Afghanistan and it is important to note that India's exports of these commodities has increased tremendously over the period under study. Giving more access to India will certainly hurt Pakistan's Exports. Similarly, with pharmaceutical products, articles of iron and steel, plastic, the share of Indian exports has increased over the time which is alarming for Pakistani exporters.

As the graphs below clearly show, Indian exports to Afghanistan have been steadily growing over the past decade. Pakistan's exports on the other hand have shown a mixed trend, rising sharply between year 2004 and 2005, then declining till 2007 and then rising in 2008 before decline sets in 2009. The percentage growth on the other hand tells a slightly different story. Pakistan's exports touched the peak in 2005 with growth reaching 130% before becoming negative in the following year. The fluctuations continue into 2009 when growth once again became negative after touching a positive level of around 75% in 2008. India's exports, on the other hand, exhibit a comparatively smooth percentage growth with the exception of 2005, incidentally when Pakistan's exports registered the highest percentage growth. India's percentage growth in exports to Afghanistan has also declined post 2008; it is nevertheless better than that of Pakistan.

Product Code/Label	Pakistan's Export to Afghanistan			India's Export to Afghanistan			Afghanistan's Import From World
	Value in 2003, USD thousand	Value in 2006, USD thousand	Value in 2009, USD thousand	Value in 2003, USD thousand	Value in 2006, USD thousand	Value in 2009, USD thousand	Value in 2009, USD thousand
All products	408203	991503	1373863	143681	170608	471600	3336435
Mineral fuels, oils, distillation products, etc	82471	278532	394490	78	189	513	788230
Salt, sulphur, earth, stone, plaster, lime and cement	20124	85095	149397	51	10	69	37
Cereals	34495	50080	148572	2	14	0	18741
Animal, vegetable fats and oils, cleavage products, etc	43699	99401	93913	0	12	76	42711
Articles of iron or steel	19435	34271	85144	4922	9151	9244	672
Plastics and articles thereof	12580	72700	69222	221	935	1461	4382
Pharmaceutical products	2440	9458	59054	22521	38235	51288	16634
Edible vegetables and certain roots and tubers	11610	10554	43797	26	23	0	9300
Edible fruit, nuts, peel of citrus fruit, melons	5669	15686	41615	293	65	0	3368
Dairy products, eggs, honey, edible animal product nes	6763	23907	38998	367	3420	20700	20686

Pakistan & Indian Export to Afghanistan Value and Growth

Years	Y 2003	Y 2004	Y 2005	Y 2006	Y 2007	Y 2008	Y 2009
Pak Export to Afghan	408203	464572	1064748	991503	837678	1447620	1373863
India Export to Afghan	143681	167745	147923	170608	218473	364859	471600
Growth of Pak Export to Afghan		14%	129%	-7%	-16%	73%	-5%
Growth of India Export to Afghan		17%	-12%	15%	28%	67%	29%



HS Code	Product Description	No of Tariff Lines	Tariff Applied by Afghanistan on Indian products	Tariff Applied by Afghanistan on Pakistani products
09	Coffee, tea, maté and spices	33	3.60%	4.79%
17	Sugars and sugar confectionery	16	2.63%	3.94%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	68	4.37%	4.64%
30	Pharmaceutical products	33	0.61%	2.50%
<i>Source: MacMap Database</i>				

Conclusions

The foregoing discussion and analysis reveal that at present Pakistan enjoys a better market share in Afghanistan as compared to India. On the other hand, Indian goods, some of them clearly of Pakistan's export interest like pharmaceuticals, enjoy concessional terms in the Afghan market. Exports to Afghanistan accounted for 7.8 % of Pakistan' total annual exports in year 2008-09.

Currently mineral fuels, oils and distillation products constitute Afghanistan's largest imports from the world. Pakistan is one of the major exporters of these goods to Afghanistan. As is evident from the data for the year 2008-09, Pakistan exported almost 55% of its exportable surplus in this category to Afghanistan. Next, Pakistan exported two-thirds of its exports of articles of iron and steel to Afghanistan over the same period. Similarly exports of dairy products, eggs, honey and edible animal products to Afghanistan constituted 88.4% of Pakistan global exports of these products. Pakistan's exports of animal and vegetable fats and oils,

cleavage products etc. to Afghanistan comprised an even bigger share of the former's world exports in 2008-09 i.e. 96.4%.

India's main exports showed a different pattern with manmade filaments and pharmaceuticals leading the way with 42% and 11% share in India's top five exports to Afghanistan which comprise almost 70% of India's total exports to that country in 2008-09. In contrast, Pakistan's leading exports to Afghanistan were mineral fuels, oils and distillation products with 29% followed by salt, sulphur, earth, stone, plaster, lime and cement with an overall 11% share in the country's top five exports to Afghanistan which constitute almost 64% of Pakistan's exports to that country. As the data has shown clearly, there is at present no significant product overlap between Pakistani and Indian exports to Afghanistan.

Exports of agricultural goods from Pakistan clearly represent a major share of the latter's exports to the former. India has, however, a much bigger economy with a larger agricultural base than Pakistan. India's overall exports of those products to the world are indicative of its export potential. It is quite obvious that transporting agricultural goods over long distances involves tedious and often costly arrangements like cooling, special packaging and proper handling etc. to keep them from perishing along the way. This particular aspect coupled with the logistic costs adds to the unit costs thus making exports of these products uncompetitive for a distant supplier vis-à-vis a nearer one. It therefore follows that Indian exports of agricultural goods, particularly the food items, to a rather low-end market like Afghanistan are fairly uncompetitive as compared to those from Pakistan primarily because of the distances involved. If Indian agricultural products are able to get transit facility through Pakistan's territory, with an already available advantage of duty concessions their competitiveness is quite likely to rise and that could be a source of concern for Pakistan.

Likewise, for other goods of Pakistan's immediate as well future export interest, India poses as a significant competitor. With generally better economies of scale in almost all products, the only plausible disincentive that Indian goods face in entering Afghanistan are the rather prohibitive transportation costs they entail while being transported through routes other than through Wagah in Pakistan. In addition to that, transit through Pakistan not only provides the shortest and therefore the cheapest way to Kabul, it is also the safest one considering the turbulence attendant on other, alternative routes in Afghanistan. Repeated attacks by Taliban on

Delaram-Zaranj road which was being used as the preferred transit route by Indian goods from Iran has increasingly rendered that option unattractive.

For its part the US has also been keen to get India a major role in Afghan trade. A bigger chunk of Afghan trade for India would likely strengthen its role in that country, something that is clearly not very palatable to Pakistan.

On the whole, it is pretty clear that Pakistan should carefully weigh its option before engaging India in the transit dispensation which is now going to unfold. At present the option to grant transit facility to India is fraught with potential economic disadvantages. Pakistan definitely enjoys a better market share in Afghanistan and it must not let go of its interests. In any case, Pakistan must ask for a quid pro quo commensurate with the deal.

Department of Commerce
Export Import Data Bank
Export: Country-wise all commodities

Country: Afghanistan TIS

Dated: 4/6/2010
Values in US\$ Million
Sorted on commodity

S.No.	HSCode	Commodity	2007-2008	2008-2009	%Growth Country: AFGHANISTAN TIS <small>* ITC HS Code of the Commodity is either dropped or re-allocated from April 2003</small>
1.	88	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.	0.01	6.13	80,526.32
2.	35	ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES.	0.00	0.01	102.44
3.	76	ALUMINIUM AND ARTICLES THEREOF.	1.60	2.82	76.20
4.	15	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PRE. EDIBLE FATS; ANIMAL OR VEGETABLE WAXEX.		0.09	
5.	61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CORCHETED.	2.63	4.70	78.64
6.	62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED.	11.52	17.17	49.04
7.	73	ARTICLES OF IRON OR STEEL	5.35	5.40	0.96
8.	42	ARTICLES OF LEATHER,SADDLERY AND HARNESS;TRAVEL GOODS, HANDBAGS AND SIMILAR CONT.ARTICLES OF ANIMAL GUT(OTHR THN SILK-WRM)GUT.	0.42	1.03	146.08
9.	68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS.	0.06	0.11	96.69
10.	22	BEVERAGES, SPIRITS AND VINEGAR.		0.00	
11.	57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS.	0.02	0.01	-16.15
12.	91	CLOCKS AND WATCHES AND PARTS THEREOF.	0.01	0.05	301.55

13.	09	COFFEE, TEA, MATE AND SPICES.	3.93	13.64	247.06
14.	74	COPPER AND ARTICLES THEREOF.	0.24	0.76	214.09
15.	52	COTTON.	3.57	1.91	-46.46
16.	04	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD. OF ANIMAL ORIGIN, NOT ELSEWHERE SPEC. OR INCLUDED.	16.18	16.89	4.35
17.	08	EDIBLE FRUIT AND NUTS; PEEL OR CITRUS FRUIT OR MELONS.	0.00	0.11	53,750.00
18.	07	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS.	0.04		
19.	85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS.	16.81	59.40	253.40
20.	33	ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS.	1.27	1.85	45.58
21.	36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS.		0.02	
22.	31	FERTILISERS.	0.05		
23.	64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES.	0.03	0.04	24.32
24.	94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHING; LAMPS AND LIGHTING FITTINGS NOT ELSEWHERE SPECIFIED OR INC	0.05	1.84	3,762.47
25.	70	GLASS AND GLASSWARE.	0.05	0.05	0.00
26.	65	HEADGEAR AND PARTS THEREOF.	0.67	0.40	-40.10
27.	59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE.	0.09	0.07	-26.86
28.	28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OR RAD. ELEM. OR OF ISOTOPES.	0.20	0.32	58.54
29.	72	IRON AND STEEL	7.79	2.31	-70.39
30.	60	KNITTED OR CROCHETED FABRICS.		0.00	
31.	13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS.	0.51	0.07	-86.67
32.	78	LEAD AND ARTICLES THEREOF.		0.00	
33.	06	LIVE TREES AND OTHER PLANTS; BULBS; ROOTS AND THE LIKE; CUT FLOWERS AND		0.00	

		ORNAMENTAL FOLIAGE.			
34.	54	MAN-MADE FILAMENTS.	67.23	126.02	87.45
35.	55	MAN-MADE STAPLE FIBRES.	6.65	10.71	60.97
36.	02	MEAT AND EDIBLE MEAT OFFAL.	5.33	2.67	-49.93
37.	27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.	0.05	0.15	175.57
38.	83	MISCELLANEOUS ARTICLES OF BASE METAL.	0.10	0.46	377.38
39.	38	MISCELLANEOUS CHEMICAL PRODUCTS.	0.10	0.70	568.46
40.	21	MISCELLANEOUS EDIBLE PREPARATIONS.	0.89	0.50	-43.75
41.	99	MISCELLANEOUS GOODS.	0.87	0.60	-30.82
42.	96	MISCELLANEOUS MANUFACTURED ARTICLES.	0.19	0.33	76.67
43.	92	MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES OF SUCH ARTICLES.	0.00	0.06	1,411.90
44.	71	NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMIPRECIOUS STONES,PRE.METALS,CLAD WITH PRE.METAL AND ARTCLS THEREOF;IMIT.JEWELRY;COIN.	1.32	1.87	41.90
45.	84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.	5.05	7.67	51.85
46.	12	OIL SEEDS AND OLEA. FRUITS; MISC. GRAINS, SEEDS AND FRUIT; INDUSTRIAL OR MEDICINAL PLANTS; STRAW AND FODDER.	0.07	0.10	43.92
47.	90	OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION, MEDICAL OR SURGICAL INST. AND APPARATUS PARTS AND ACCESSORIES THEREOF;	0.64	2.24	252.39
48.	29	ORGANIC CHEMICALS	2.08	1.00	-51.68
49.	81	OTHER BASE METALS; CERMETS; ARTICLES THEREOF.		0.00	
50.	63	OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	1.62	0.91	-44.02
51.	53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN.		0.01	
52.	48	PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD.	0.19	0.24	27.30
53.	30	PHARMACEUTICAL PRODUCTS	41.78	60.32	44.36
54.	37	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS.		0.00	
55.	39	PLASTIC AND ARTICLES THEREOF.	0.52	0.96	85.84
56.	19	PREPARATIONS OF CEREALS, FLOUR, STARCH		0.06	

		OR MILK; PASTRYCOOKS PRODUCTS.			
57.	20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS.	0.01	0.01	-25.83
58.	67	PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FEATHERS OR OF DOWN; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR.	0.00		
59.	49	PRINTED BOOKDS, NEWSPAPERS, PICTURES AND OTHER PRODUCTS OF THE PRINTING INDUSTRY; MANUSCRIPTS, TYPESCRIPTS AND PLANS.	1.37	4.08	198.69
60.	05	PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED.		0.01	
61.	98	PROJECT GOODS; SOME SPECIAL USES.	0.16	1.21	652.27
62.	86	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING-STOCK AND PARTS THEREOF; RAILWAY OR TRAMWAY TRACK FIXTURES AND FITTINGS AND PARTS THEREOF; MECHANICAL		0.00	
63.	41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER		0.02	
64.	23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODER.		0.03	
65.	40	RUBBER AND ARTICLES THEREOF.	4.65	9.98	114.70
66.	25	SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT.	0.02	0.05	101.28
67.	50	SILK	0.05	0.98	1,724.30
68.	34	SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREPARATIONS, LUBRICATING PREPARATIONS, ARTIFICIAL WAXES, PREPARED WAXES, POLISHING OR SCOURING PREP.	0.07	0.23	227.25
69.	58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY.	0.24	0.09	-64.38
70.	17	SUGARS AND SUGAR CONFECTIONERY.	18.68	5.38	-71.21
71.	32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERI. DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VER; PUTTY AND OTHER MASTICS; INKS.	0.01	0.33	3,910.98
72.	80	TIN AND ARTICLES THEREOF.	0.00		
73.	24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES.	10.26	12.21	18.99
74.	82	TOOLS IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS THEREOF OF BASE METAL.	1.67	0.91	-45.35

75.	95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCESSORIES THEREOF.	0.01	0.00	-70.09
76.	14	VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NOT ELSEWHERE SPECIFIED OR INCLUDED.	0.09	0.01	-84.71
77.	87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF.	3.88	3.59	-7.53
78.	56	WADDING, FELT AND NONWOVENS; SPACIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF.	0.00	0.15	8,476.47
79.	44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL.	0.00	0.07	1,996.77
80.	51	WOOL, FINE OR COARSE ANIMAL HAIR, HORSEHAIR YARN AND WOVEN FABRIC.	0.00	0.06	27,650.00
81.	97	WORKS OF ART COLLECTORS' PIECES AND ANTIQUES.	0.22	0.03	-87.51
82.	79	ZINC AND ARTICLES THEREOF.	0.00	0.00	118.75
		Total	249.21	394.23	58.20

ANNEXURE - B

**THE LIST OF ITEMS WHERE PREFERENTIAL TARIFF IS GRANTED BY THE
GOVERNMENT OF AFGHANISTAN**

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S.NO.	HS CODE	PRODUCT DESCRIPTION	MFN DUTY %	MOP % *
1	090230	Black Tea (fermented)	Temporary Exempted	100
2	090240	Other Black Tea	Temporary Exempted	100
3	300210	Antisera & Other BLD Frctn; Mdfd Imunlgcl products	7	100
4	300390	Other Ayurvedic, Homeopathic Medicine	7	100
5	300490	Other Medicine for retail sale	7	100
6	170199	Sugar refined	Temporary Exempted	100
7	252310	Cement Clinkers	25	100
8	252321	White Cement	25	100

(* Margin of Preference)

**THE LIST OF ITEMS WHERE PREFERENTIAL TARIFF IS GRANTED BY THE
GOVERNMENT OF INDIA**

S.No.	H.S. Code	Product Description	MFN Duty %	M O P*
1	080620	Green Raisins	105	50%
2	080620	Green Large	105	50%
3	080620	Black Raisins	105	50%
4	080620	Red Raisins	105	50%
5	081310	Dried Apricots Nuts	30	50%
6	081310	Dried Apricots	30	50%
7	080420	Fig Dried	30	100%
8	080250	Pistachios closed Shell	30	100%
9	080250	Pistachios Open Shell	30	100%
10	080250	Pistachios Shelled (Kernal)	30	100%
11	080231	Walnuts Unshelled	30	50%
12	080232	Walnuts shelled	30	50%
13	081340	Plums Dried	30	50%
14	080212	Almond Thin Shelled	Rs. 65/Kg.	50%
15	080212	Almond Hard Shelled	Rs. 65/Kg.	50%
16	080212	Almond Shelled	Rs. 65/Kg.	50%
17	081340	Mulberries Dried	30	100%

18	081340	Pine Nuts Toasted	30	100%
19	080620	Raisins Golden	105	50%
20	081310	Apricots Nuts, Bitter Unshelled	30	50%
21	081310	Apricots Nuts, Bitter Shelled	30	50%
22	080620	Green Raisins except Large	105	50%
23	081340	Cherries Sour Dried	30	50%
24	080610	Grapes fresh, All types	40	50%
25	080719	Melon fresh	30	100%
26	080810	Apples fresh	50	50%
27	080910	Apricots fresh	30	50%
28	081090	Pomegranates	30	50%
29	090910	Anise Seeds	30	50%
30	090940	Caraway Seeds, White, Black Kajak	30	50%
31	120400	Linseeds	30	50%
32	120740	Sesame Seeds etc.	30	50%
33	121110	Liquorice Roots plants for Pharmacy etc.	30	50%
34	121410	Alfalfa Seeds	30	50%
35	130190	Asafeotida	30	100%
36	710310	Lapis Lazuli, Ruby, Emerald etc.(Unworked)	30	100%
37	710391	Emeralds (Otherwise worked)	30	100%
38	710399	Lapis Lazuli, Ruby (Otherwise worked)	30	100%

(* Margin of Preference)